

**Virginia Department of Veterans Services**  
**Audit Plan of Correction Status Report as of May 1, 2008**

**Reconcile Patient Revenue System to the Commonwealth's Accounting**

Review of existing Employee Work Profiles and policies and procedures indicated that this requirement was not identified anywhere within existing documents. As a result of this finding a new position which will oversee the patient billing and accounts receivable functions has been established and is in recruitment. A part time internal auditor position has been employed to complete the ARMICS project and will be writing policies and procedures that will encompass the reconciliation of the patient billing system to CARS by the facility accountant position.

**Estimated Completion Date: September 2008**

**Primary Responsible Staff for Corrective Action: VVCC Administrator, VVCC Facility Accountant and DVS Financial Manager**

**5/01/2008 Status:** VVCC facility accounting position has been filled and policies/procedures have been drafted and are being reviewed. Initial work on reconciliation is beginning. The target completion date remains as originally estimated.

**Properly Perform Reconciliations in a Timely Manner**

Policies and procedures for both petty cash and residents' trust fund accounts have been written and implemented at the new Sitter & Barfoot Veterans Care Center. These policies and procedures will be modified to adjust for staffing pattern differences between SBVCC and VVCC and implemented and performed by the VVCC Facility Accountant once the position is filled.

**Estimated Completion Date: June 2008**

**Primary Responsible Staff for Corrective Action: VVCC Administrator, VVCC Facility Accountant and DVS Financial Manager**

**5/01/2008 Status:** Policies and procedures have been written and implemented and facility accounting position has been filled. VVCC Petty Cash and Resident Trust fund accounts have been reconciled through March 2008, however, there is a difference in the Resident Trust Fund account reconciliation that must be identified and corrected before April may be reconciled. The target completion date remains as originally estimated.

**Improve Debt Collection Efforts and Account Write-offs**

As indicated previously, a new facility accountant position is being established and filled and that position will take steps to ensure that the written procedures are utilized; that accounts are properly "aged" for accounting purposes; that the aged summaries reconcile, in total, to total accounts receivable, and that uncollectible accounts are either fully reserved, or written off. A study will also be undertaken to determine if a more routine write-off of inactive accounts is appropriate.

**Completion Date: September 2008**

**Primary Responsible Staff for Corrective Action: VVCC Administrator and VVCC Facility Accountant**

**5/01/2008 Status:** Facility accounting position has been filled and work is beginning on formalizing necessary action to eliminate audit point and comply with procedures that have been written. The target completion date remains as originally estimated.

**Establish Adequate Controls over Cemetery Funds**

Review of existing records indicate that written standards of procedures exists for the handling of cash receipts for spousal and dependent interments and are used by cemetery staff at both cemeteries. As indicated there are no formal written procedures to document the handling and reconciliation of federally reimbursed interments. Policies and procedures and updated SOP's will be created and implemented to ensure reconciliations of reimbursement for all interments.

**Completion Date: June 2008**

**Primary Responsible Staff for Corrective Action: DVS Director of Finance and Administration and Internal Auditor**

**5/01/2008 Status:** Policies have been written and are currently being reviewed. The target completion date remains as originally estimated.

**Establish a Complete Information Security Plan to Comply with COV Security Policy**

In order to resolve this audit point, DVS will take the following action:

1. Establish a Complete Information Security Plan to Comply with COV Security Policy
  - a. DVS will review ITRM Standard SEC 2001/SEC 501.
  - b. DVS will create IT security coordinators within all DVS business units.
  - c. The IT security coordinators and the IT Manager will work together to develop appropriate policies and procedures to adequately address the need for the following components:
    - i. Risk Assessment
    - ii. Business Impact Analysis
    - iii. Business Continuity Plan
    - iv. Disaster Recovery Plan
    - v. Incident Response Procedure

**Estimated Completion Date: December 2008**

**Primary Responsible Staff for Corrective Action: DVS IT Director**

**5/01/2008 Status:** Being worked on in conjunction with audit point related to HIPAA regulations compliance. The target completion date remains as originally estimated.

**Establish Sufficient System Access Policies and Ensure Appropriate System Access**

DVS will establish written procedures and policies to manage the addition, change and deletion of staff from access to both Commonwealth and DVS specific business applications. Policies will detail procedures to be followed when a new staff is hired and when existing staff terminate.

**Estimated Completion Date: June 2008**

**Primary Responsible Staff for Corrective Actions: Director, Finance and Administration, Human Resources Director and IT Director**

**5/01/2008 Status:** Being worked on in conjunction with audit point related to HIPAA regulations compliance. The target completion date remains as originally estimated.

**Comply with the Health Insurance Portability and Accountability Act**

DVS has signed a Memorandum of Understanding with the Department of Rehabilitative Services to provide assistance in reviewing and modifying existing policies and adding new policies needed to comply with HIPAA regulations.

**Estimated Completion Date: August 2008**

**Primary Responsible Staff for Corrective Actions: DVS Chief Operating Officer and SBVCC Assistant Director of Nursing**

**5/01/2008 Status:** The MOU with the Department of Rehabilitative Services has been executed and existing policies are being updated and modified to comply with regulations. The target completion date remains as originally estimated.

**Appropriately Segregate Information System Service Duties**

DVS is reviewing the segregation of information system service duties and will work to insure that all policies are clearly marked as ‘draft’ until properly reviewed to insure compliance with agency direction and approved by the Agency ISO and the Agency Head.

**Estimated Completion Date: December 2008**

**Primary Responsible Staff for Corrective Actions: DVS IT Director**

**5/01/2008 Status:** Being worked on in conjunction with audit point related to HIPAA regulations compliance. The target completion date remains as originally estimated.

### **Establish Adequate Controls over the Payroll and Human Resources Functions**

New policies and procedures are currently being written to establish formal policies and procedures for the termination process and the earning and approving of overtime and/or compensatory leave. Policies will be implemented as soon as policies have been officially approved by the Commissioner and other appropriate staff. Procedures have been implemented at VVCC that have changed who distributes the paychecks and requires the signature of employees when receiving their paychecks as well as a formal process that needs to be completed when someone else is picking up the paycheck on the employee's behalf. Due to limited staffing it is difficult to segregate all of the payroll officer duties, however, when possible, other finance office staff pick up and distribute the payroll checks to appropriate offices for distribution to employees. As a part of the ARMICS process different alternatives to addressing this issue will be investigated.

**Estimated Completion Date: June 2008**

**Primary Responsible Staff for Corrective Actions: DVS Financial Manager**

**5/01/2008 Status:** Two policies and two SOP have been established. The target completion date remains as originally estimated.

### **Periodically Review Employee Classifications under the Fair Labor Standards Act**

New policies and procedures are currently being written to address this audit point. The Attorney General's Office conducted training in August 2007 to all DVS managers on the Fair Labor Standards Act. DVS has reviewed the classifications of three staff members referenced in the audit report and has reclassified two to non-exempt status and determined that the remaining position in question was correctly classified in an exempt status. Also, formal policies and procedures are being written and periodic reviews of all applicable positions will be performed.

**Estimated Completion Date: June 2008**

**Primary Responsible Staff for Corrective Actions: DVS Human Resources Manager**

**5/01/2008 Status:** Two SOP's have been drafted and are being reviewed. The target completion date remains as originally estimated.

### **Develop a Plan for Utilizing Federal Veterans Subsidy Funds**

DVS surveyed many other states and found each state is using the funds in varying ways and that no specific use of the funds is required other than the use for the delivery of services to qualified veterans. Since the spring of FY 2006, the Federal Subsidy has been properly classified as Federal Funds and is being used and identified in the annual operating budget as well as in the Appropriations Act. Because the funds were originally coded as special funds

instead of Federal Funds, it was assumed that the funds were not being used and that the total funding from the special fund source was sufficient to cover the operating needs of VVCC. However, full evaluation of expenses and revenue sources indicated that a portion of the Federal Subsidy was actually being used to offset the cost not being covered by Medicaid Medicare and other third party sources. VVCC in order to be competitive with local nursing care centers does not raise its daily rates to the level required to cover all costs and as a result of that, the increased demand on the use of the Federal Subsidy to offset the differences will continue. The Federal Veterans Subsidy Funds are projected on the Department Six Year Revenue Plan, identified in the appropriation act as a funding source for the current biennium, tracked by fund source when expenditures are made and are being identified and earmarked as potential funding sources for upcoming capital and maintenance reserve projects as they arise. At times, the balance of excess Federal Subsidy funds will vary, however, the funds are being used to increase and enhance the delivery of services to qualified veterans at the Virginia Veterans Care Center and the same will apply to Federal Subsidy Funds received by the Sitter & Barfoot Veterans Care Center. **DVS considers this to be a resolved and completed prior year audit point.**

**Estimated Completion Date: July 2007**

**Primary Responsible Staff for Corrective Action: Director, Finance and Administration**

**5/01/2008 Status:** Resolved.

**Comply with the Davis-Bacon Act**

DVS realized that it did not have any staff with sufficient knowledge or appropriate skills to properly manage capital projects. Therefore, a Memorandum of Agreement was negotiated with the Department of Mental Health, Mental Retardation and Substance Abuse Services for the architectural and engineering services necessary to properly manage such projects. Compliance with the Davis-Bacon Act will be performed by DMHMRSAS staff and verified by DVS staff.

**Estimated Completion Date: February 2007**

**Primary Staff Responsible for Corrective Actions: Director, Finance and Administration**

**5/01/2008 Status:** Resolved.

**Establish Adequate Budgets for Individual Cost Centers**

As noted in the previous audit report, DVS has purchased and is still implementing a new financial management system that is to be used to record expenditures, analyze budgets and provide cost center managers with information required to properly manage and perform their job duties. Delays and restrictions imposed by the VITA/NG operation have resulted in DVS being one full year behind in the implementation of the financial management system. The key element to establishing sound working budgets is having a sound base to work from, and due to many reasons documented in prior audits, a sound base did not previously exist. Using information that has been captured for the first six months of FY 2008, projected operating

budgets are currently being developed and entered into FMS (the financial management system). Based on that, reports already existing in the system will be executed and distributed to all appropriate cost center managers.

**Estimated Completion Date: April 2008**

**Primary Responsible Staff for Corrective Actions: Director, Finance and Administration**

**5/01/2008 Status:** Budgets for both care centers and all other programs have been entered in the financial management system and reports are being distributed to management staff. So **this item is now considered to be resolved.**

**Appropriately Allocate Administrative Costs**

Modifications have been made to the reporting of time by all human resource and finance staff including the payroll officer and allocation sheets are being checked for accuracy. Policies and procedures will be developed after internal auditor completes review of existing work flow and processes.

**Estimated Completion Date: August 2008**

**Primary Responsible Staff for Corrective Actions: Director, Finance and Administration**

**5/01/2008 Status:** A policy has been drafted and time sheet allocations are being reviewed for accuracy. The target completion date remains as originally estimated.

**Implement Appropriate Controls over Inventory**

As originally written, this comment suggests that management must have inventories of food and pharmacy items to judge the performance of those activities. However, management believes that standards such as cost per meal, or drugs ordered by doctors provide more meaningful management information. This is even more true at SBVCC, where the number of meals consumed changes, almost daily. And drug usage is driven by what doctors prescribe, not by what the inventory counts are. With the proper management view on dollars spent, the input of budgets into FMS along with the actual start up of the FMS, the cost accounting ledger will have statistics, projected budget variances, and current and previous year expenditures that can all be used to run comparative analysis and generate reports showing performance efficiency of these activities. And if more goods are purchased than should be, then the analytical function should reflect variances that will be traced back to changes in inventory practices. It is anticipated that FMS cost ledger will be fully operational by July 1, 2008.

**Estimated Completion Date: September 2008**

**Primary Staff Responsible for Corrective Action: DVS Financial Manager and Facility Accountant**

**5/01/2008 Status:** Budgets have been entered in the system and implementation and training on the FMS cost ledger has been performed. The target completion date remains as originally estimated.

#### **Establish Adequate Controls over Fixed Assets**

As a part of the ARMICS project DVS is currently reviewing existing policies and procedures and will be updating them to properly incorporate appropriate procedures to document that inventories have been taken and data appropriately entered into FAACS. Inventories of current assets at VVCC will be completed by June 30, 2008.

**Estimated Completion Date: June 2008**

**Primary Staff Responsible for Corrective Action: DVS Financial Manager**

**5/01/2008 Status:** Policy has been written and a physical inventory of Virginia Veterans Care Center fixed assets is being scheduled. Staff at Sitter and Barfoot Veterans Care Center are scheduled to receive FAACS training in May 2008 and will begin entering data for SBVCC once the training is completed. The target completion date remains as originally estimated.

#### **Properly Report Construction in Progress**

Once DVS became aware that it was not properly recording construction in progress, it contacted DOA staff and with their assistance went back to when DVS became an agency and reconstructed all relevant CIP data. Based on training and assistance received, the DVS construction in progress data currently contains only costs associated with building construction, which will be transferred to a "building" classification prior to June 30, 2008.

**Completion Date: July 2007**

**Primary Staff Responsible for Corrective Action: DVS Financial Manager**

**5/01/2008 Status:** SBVCC is now occupied, and so the construction in progress account will be closed prior to June 30, 2008.

#### **Establish Other Administrative Policies**

While it has taken longer than originally planned, DVS has corrected the issues associated with establishment of other administrative policies. On October 1, 2007, a DVS purchasing guide was distributed to all benefits services field office staff. On September 19, 2007, a policy for the purchasing charge card program was distributed to DVS staff. On November 30, 2007, the following seven policies were submitted to the commissioner for review, approval and distribution.

1. Participation in small businesses and businesses owned by women and minorities
2. Professional services small purchases

3. Receiving of supplies
4. Storage of supplies
5. Surplus property
6. Vendor dispute
7. Vendor representative interview control

Policies and forms for activities performed with the Veterans Services Foundation fund were approved on September 13, 2007 and were distributed to appropriate staff.

**Completion Date: February 2008**

**Primary Staff Responsible for Corrective Action: Director, Finance and Administration**

**5/01/2008 Status:** Completed.